

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 COME-00 EB-11 SS-20 NSC-07 SPC-03

CIAE-00 DODE-00 INR-10 NSAE-00 PA-04 RSC-01 USIA-15

PRS-01 CIEP-02 TRSE-00 CEA-02 OMB-01 SAJ-01 L-03

FEA-02 SCI-06 INT-08 XMB-07 FRB-02 OPIC-12 DRC-01

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TO SECSTATE WASHDC 7258

INFO AMEMBASSY LONDON

C O N F I D E N T I A L MOSCOW 4373

E.O. 11652: N/A

TAGS: ETRD, UR, US, UK

SUBJECT: STATUS OF UNION CARBIDE'S NEGOTIATIONS FOR
POLYETHYLENE PLANT CONTRACT

1. DURING CONVERSATION MARCH 26 WITH UNION CARBIDE (UC) REPRESENTATIVE, EMBOFF NOTED VERY OPTIMISTIC APPRAISAL OF STATUS UC-SOVIET NEGOTIATIONS ON POLYETHYLENE PLANT GIVEN BY SOVIET MINISTER CHEMICAL INDUSTRY KOSTANDOV AT MARCH 19 NEW YORK PRESS CONFERENCE. (ACCORDING TO AP REPORT, KOSTANDOV SAID " I THINK THAT THE CONTRACT WITH UNION CARBIDE WILL BE SIGNED.") EMBOFF ASKED WHETHER DOSTANDOV HAD APPEARED FULLY JUSTIFIED AT TIME IT WAS MADE, BUT SUBSEQUENT NEGOTIATIONS IN MOSCOW HAD REVEALED NEW PROBLEMS. IN PARTICULAR, STATE TRADING ORGANIZATION SOYUZHIMEXPORT, WHICH RESPONSIBLE FOR CONCLUDING LONG-TERM SALES CONTRACT COVERING COMPENSATION PAYMENT FOR PLANT AND TECHNOLOGY, WAS DEMANDING THAT UC AGREE TO CONTRACT WHICH LEFT PRICE OF PRODUCT OPEN BUT COMMITTED UC TO ACCEPT SPECIFIED QUANTITIES OF PRODUCT. UC REP SAID HE HAD INFORMED KOSTANDOV'S PERSONAL ASSISTANT KUMLEV THAT THIS SORT OF ARRANGEMENT WAS NOT ACCEPTABLE AND HAD ASKED MINISTRY TO
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INTERVENE WITH SOYUZHIMEXPORT.

2. UC REP ADVISED THAT PLANT IN QUESTION WAS 200,000 TON CAPACITY UNIT WHICH WOULD PROBABLY BE LOCATED AT NEW PETRO-CHEMICAL CENTER "BETWEEN BLACK AND CASPIAN SEAS." UC IS WORKING TOGETHER WITH UK FIRM CJB, WHICH WOULD SUPPLY ALL ENGINEERING SERVICES AND BE RESPONSIBLE FOR PROCURMENT OF EQUIPMENT. TOTAL VALUE OF EQUIPMENT, ENGINEERING SERVICES AND TECHNOLOGY IS DOLLARS 50 MILLION. ACCORDING TO UC REP, CREDITS FROM UK EXPORT CREDIT GUARANTEE DEPARTMENT (ECDG) AVAILABLE, BUT HE ADDED THAT INTEREST RATES ON ECDG CREDITS WAS LIKELY TO INCREASE SHORTLY FROM 6 PERCENT TO 7 PERCENT, THUS PUTTING PREMIUM ON SIGNING CONTRACT AS SOON AS POSSIBLE. UC REP NOTED THAT CJB HAD EARLIER HOPED TO HAVE CONTRACT READY FOR SIGNING DURING VISIT TO UK OF SOVIET MINISTER FOREIGN TRADE PATOLICHEV DURING WEEK OF APRIL 1, BUT PROBLEMS WITH COMPENSATION AGREEMENT MAKE THIS UNLIKELY. (COMMENT: PATOLICHEV'S ILLNESS WOULD OBVIOUSLY RULE OUT VISIT TO UK AT THIS TIME IN ANY EVENT. END COMMENT).

3. UC REP ALSO REPORTED THAT NEGOTIATIONS ON COMPANY'S SCIENTIFIC-TECHNICAL COOPERATION AGREEMENT WITH STATE COMMITTEE FOR SCIENCE AND TECHNOLOGY WERE MOVING AHEAD AND AGREEMENT SHOULD BE READY FOR SIGNATURE BY SEPTEMBER 1974. STOESSEL

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